

lation of 1870 and 1880 into that of 1890, may be discussed under the following headings:

1. Security of note issues.
2. Elasticity of circulation.
3. Uniformity of circulation, without discount upon the notes.
4. Inspection of accounts and security of general creditors.
5. Cash reserves and the use of coin.
6. Branch banks and the requirement of large capital.

i. The essential conditions which secure the note issues of the Canadian banks are the duplicate liability of shareholders, the first lien of note-holders upon the assets of a failed bank, the Bank Circulation Redemption Fund, and the five per cent, interest which accrues upon the notes of failed banks from the date of refusal to redeem to the date when readiness to redeem is again announced. The duplicate liability of shareholders dates back to 1834 in Ontario and 1841 in Quebec. The making of the notes a first lien on the assets was suggested by the bankers in 1869, but was abandoned because of the opposition of Mr. Hincks. He feared that the impairment of the equal claims of other creditors which this provision involved would lead to a run by depositors and to the injury of the banks. The failures between 1874 and 1879 compelled many note-holders to realize on their notes at a great discount, in order to obtain immediate use of their money,<sup>1</sup> and dissatisfaction was so great that the bankers again proposed in 1880 that the notes be made a first lien. The total assets of each bank were from six to ten times its note obligations and, if these assets were lost, the duplicate liability of the shareholders would still cover the outstanding notes. These resources constituted a security for the redemption of the notes which it was believed would prove complete, and which the bankers were willing to concede to the public for the privilege of retaining unimpaired their power of note issue.

The Act of 1890 confirmed the provisions of 1880 for making the notes a first lien on the assets, and added two

<sup>1</sup> Breckenridge, 289. Canadian bank-notes are not legal tender.